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MONTHLY PROJECTIONS
March 1987

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WHEN WILL DOLLAR SLIDE END?

When changes in currency values are adjusted for changes in inflation rates, the dollar's slide against the Japanese yen appears to be overdone. Parity also appears to have been attained with the European currencies. Of course, the dollar appears overvalued against the Taiwan dollar and the Korean wan, and these countries are continuing to sharply increase their trade surpluses. In the case of Korea, which accumulated significant foreign debt because of earlier foreign exchange borrowings, the resulting current account surpluses are returning that country to international financial health. Taiwan, on the other hand, is a greater creditor nation per capita than Japan. As such, the Taiwanese policy of continuing to derive economic strength through export expansion no longer is in the best long-term interests of the world economy. However, the dollar's continuing weakness is not against those countries with which it remains overvalued, but with Japan. (The dollar against the German mark, in comparison, has not weakened depreciably in the past few months.)

Apparently, the weakness against Japan is the result of a differential in the production costs of export-oriented industries relative to other industries in Japan. Therefore, a measure of inflationary differentials between the two countries simply is inadequate to measure the differences in competitive pressures among countries engaged in international trade. In order to achieve cost balance with the Japanese export industries, the yen would need to rise until only 125 would be needed to purchase a dollar. However, such calculations are based upon the assumption that domestic cost pressures are unaffected by the change in currency values. In fact, the dollar has now fallen sufficiently to begin generating increasing inflationary pressures in the United States. These could begin increasing cost pressures domestically. If so, the dollar could continue to fall significantly against Japanese currency and begin falling once again against European currencies in the months ahead.

At the same time, the yen's strength against the dollar also has been increasing the yen against currencies of other Pacific-Rim countries. This has basically eliminated Japanese competitiveness in many of those countries. A recession in Japan may soon develop because of this weakness. Such recessionary pressures, in turn, could exert downward cost pressures upon Japanese industry. Similary, the European currencies are beginning to slow their economies. Wage pressures may begin modifying in those countries as well. Also, many raw materials are priced in dollars. The net effect of this will be to continue causing downward cost pressures in Europe and Japan. Thus, stability of the dollar will depend upon whether the differential cost pressures begin to change more dramatically or more slowly than the change in currency values. In any event, the dollar has reached a point that is beginning to effect differential cost pressures and therefore is reducing the stabilization effects that a declining currency otherwise would generate.

Most troublesome in the dollar's most recent decline is the increase in commodity prices. After stabilizing for more than two months, the crude material prices covered by the Journal of Commerce, have again reached a new high. Crude material prices, excluding energy and foodstuffs in the PPI, have been growing significantly for the past six months. As these price pressures persist, increasing costs of industrial materials soon will begin to develop. Pressures already appear to be surfacing for chemicals and paper product. Some nonferrous metals are also showing significant price increases, with a significant price spurt developing in the silver prices. As industrial material prices intensify, purchasing agents will begin to increase their inventory holdings. This, in turn, will generate more demand. It might also increase inventory investment and raise industrial activity.

No adjustments have yet been made to our inflation or production outlook to account for these currency-induced inflationary and industrial activity changes. In fact, manufacturing inventories declined slightly in February following a significant expansion in January. Thus, any desire to raise inventory holdings is not significant at the present time.

However, increasing inflationary pressures and the threat of increasing economic activity have combined to raise short-term credit market pressures. Also, the Federal Reserve has been slightly reluctant to accommodate this increased credit market activity because of the dollar's weakness and the rise in commodity prices.

The dollar's weakness has also had an indirect effect upon interest rate pressures. Many foreign investors now view American assets as relatively cheap in comparison to assets in their own countries. As a result, they have been aggressively purchasing American stocks. This has aided the explosive rally in equity values. This rally, in turn, has enticed IRA deposits out of bank certificates and into self-directed brokerage accounts. During the first two months of this year, only 29% of additional IRA monies were assumed to be flowing into traditional bank channels. This has caused the banks to bid more aggressively for funds in the open market. The result has been a relatively high rate on certificates of deposit. Indeed, the increased cost of acquiring funds in the open market appears to be behind the recent 0.25% increase in the prime rate. As many of these IRA investment decisions will diminish after April 15, borrowing pressures upon the banks may also begin diminishing unless inventory investments remain strong.

On the other hand, the reduction in IRA activity after April 15 could diminish funds flowing into the stock market. However, many analysts probably have overstated the significance of IRA investments upon stock market movements. Because of stronger gains in blue chips than in the broad market, it appears that much of the investment activity has come from abroad. Thus, the foreign connection rather than an IRA effect appears to be the dominant force in pressuring equity values upward at the present time.

Thus far, foreign investors have not been terribly disappointed in their American investments. Although the dollar has fallen significantly in value, equity markets have increased significantly. The total rates of return to foreign investors remain acceptable. Moreover, as the dollar continues to fall, some foreign investors begin to believe that further declines in the dollar's value cannot be great. Recently, however, Japanese investors have become discouraged upon the near-term prospects of the dollar and have been selling some of their fixed instruments. This has raised some fear that the Japanese will not be bidding for their more than one-third of ten and thirty-year government bonds when the quarterly funding arrives in early May. Some concerns have led to increasing interest rates for long-term instruments.

Quarterly Profile of GNP

	1986-4	1987-1	1987-2	1987-3	1987-4	1988-1	1987 Annual
Real:	1.1	3.5	2.6	1.8	2.4	1.8	2.3
Price:	0.7	5.0	4.2	4.8	4.4	5.1	3.5
Nominal:	1.7	8.5	6.9	6.7	6.9	7.0	5.9

Monthly Statistical Highlights for March 1987

Personal income +0.0%; savings rate 3.3%; personal consumption +0.4%; retail sales +0.2%; housing starts -2.8%; housing permits -2.3%; construction expenditures -1.1%; business inventories +0.3%; orders for durable goods +0.6%; orders for nondefense capital goods -1.0%; industrial production -0.4%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicator -0.2%; real GNP +2.6%; M1 5.7%; M2 3.7%.

Monthly Statistical Highlights for April 1987

Payroll employment +180,000; index of hours worked +0.2%; household employment +216,000; civilian unemployment rate 6.6%; personal income +0.5%; savings rate 3.2%; personal consumption +0.8%; retail sales +1.0%; auto sales 10.2 million units; housing starts -1.2%; housing permits -1.8%; construction expenditures -0.4%; business inventories +0.2%; orders for durable goods +1.4%; orders for nondefense capital goods +0.8%; industrial production +0.3%; CPI +0.4%; PPI +0.5%; consumption deflator +0.2%; leading indicator +0.3%; real GNP 2.6%; M1 +6.2%; M2 +6.1%.

Commentary

Employment - Employment statistics for March clearly suggest that February's strong gains were an aberration. Indeed, the hours worked in manufacturing shows a modest increase between December and March except for the spike up in February. Snowstorms in the East late in January may have created an unintended backlong, especially by manufacturers. As a result, they probably were working overtime in February in order to eliminate the order problem. In March, activity apparently has settled down. In addition, the unusually mild winter led to unseasonally strong construction activity. A return to more normal weather conditions in March caused a reversal in that sector. More significantly, the service sector appears to be slowing down. Excluding a 60,000 increase in government payrolls, the service economy would have expanded only slightly more than 100,000. It is clear that the government gains will not be repeated in the next few months. Thus, another month of sluggish activity is anticipated with much of the slowing occurring in reduced growth for the service components.

The hourly earnings index showed a 0.3% monthly gain but remained only 2.0% above previous year levels. There appears to be little evidence of any acceleration in wage pressures at the present time. Apparently, relatively high unemployment rates, the threat of foreign competition, and a recent history of moderate inflation have combined to hold down wage demands. It is also noteworthy that the labor force is beginning to slow noticeably, especially for teenagers and women. As a result, real growth in excess of 2.5% appears to be sufficient to reduce the unemployment rate. However, the dip in the unemployment rate in March was mostly a statistical artifact, as the labor force declined substantially in that month.

The diffusion index was surprisingly weak, at less than 50% in March, but this probably also reflects the unusually strong and temporary nature of increased industrial activity in February.

Personal Income and Outlays - The decline in the work week appears to be more than sufficient to offset a modest increase in hourly wages. As a result, there should be no gains in wage income in March. Also, the significant rebound in farm income in February was the result of significant expansion of commodity credit subsidies. These subsidies probably will not increase in March. A decline in property income will probably continue to develop, leading to virtually no change in personal income during the month. The unusually low savings rate may remain for some time. First, the personal income data has caused a more dramatic decline in tax liabilities early in the year than subsequently will develop. This leads to higher savings early in the year followed by reduced savings later. However, the most significant factor causing lower savings rates may be substantial gains in stock market values. People may be increasing their consumption spending because of the increased value of their wealth holdings. Thus, unusually low savings rates probably will persist until the stock market rally ends.

Automobile incentives appear to have maintained unit sales through March. Indeed, incentives now appear to be continuing through April and should lead to slightly higher unit sales in that month as well. Of course, this will have minimal effect upon changes in retail sales activity in March. However, a modest further price increase for nondurables along with some continuing gains in department store activity should lead to a relatively modest growth in overall

retail sales activity. Unfortunately, the shifting of the Easter season makes seasonals on retail trade components unusually suspect between March and April. The results of this modest increase in retail activity will be a modest growth in consumption expenditures. The service component increased sharply in February as a result of imputive financial services. Stock market activity was slightly more subdued through much of March and should lead to more modest gains in the service component during that month. A spurt in activity then should lead to growing expenditures in April.

Construction - Weather appears to be the major factor associated with the unusually high single-family starts early in 1987. Housing sales have not been robust. Single-family sales of new units are down early in the year and more than a seven-month supply of housing currently is available. As weather becomes less substantial, housing starts should significantly slow in the months ahead. Multi-family starts already have fallen to nearly 500,000 units. They should hover between 480,000 and 500,000 units for the next two years. Permits have been usually strong, but these gains probably are the result of builders finding unusually favorable weather and initiating projects early.

A return to more normal weather should be especially obvious in construction expenditures. Nonresidential activity, which rebounded in February should resume its downward path in March. A jump in public construction in February also appears to be weather-related. However, the recently enacted highway bill ensures higher levels of public construction over the next year than originally projected. Winter weather also has increased the amount of residential construction activity that should prevail early this year. Thus, the correction in construction activity will be more gradual and persist longer than previously anticipated.

Lumber prices appear to be largely responsible for the modest uptick in construction prices during February. However, the weakness in construction activity certainly is restraining changes in construction inflation. Also, better data sources led to a downward revision in the deflator and an upward revision in real construction activity over the past year.

Business Activity - Manufacturing inventories again weakened in Febraury following their January surge. Part of this weakness may have been the result of increased economic activity. Possibly, the snows prevented some products from being completed in January. If so, the February decline in manufacturing inventories will prove to be temporary. Nevertheless, they will restrain the growth of business inventories in that month.

Orders rebounded sharply in February, possibly because the sales force in the East was able to engage in more productive days than in the month before. This also could indicate a slight upward blip that won't be sustained. Furthermore, the orders are not high relative to shipments. Orders and shipments are identical for nondefense capital goods. There is little reason to expect significant expansion in shipments of capital goods in the months ahead. Also, a sharp increase in defense orders still left orders nearly $2 billion behind shipments. Moreover, defense shipments have generally been growing if that December aberration can be excluded. However, defense authorizations approved by the Congress have been stable for the past few years. Thus, a significant slowing in defense shipments probably will materialize later this year.

Industrial production figures probably were as distorted by the weather as those of employment and manufacturing. Thus, the rebound in February should not have been as significant. On the other hand, the distortion will not be as large as for employment figures. Therefore, the decline in industrial production implied by the employment statistics appears to be larger than will actually materialize. Nevertheless, automobiles were assembled at an 8.3 million unit rate in February and probably will be assembled at somewhere between 7.5 and 7.7 million units in March. This leads to a 0.5% decline in consumer goods. A comparable decline in business materials could materialize, leading to the sharp dip in activity in March.

Prices - Energy prices will not be a significant factor in inflation rates during the next several months. However, our forecast assumes that prices would fall once the heating season is over. Obviously, Saudi Arabia's choice to become a swing producer has eliminated any downward pressures upon oil at this time. This is the major reason leading to higher inflation estimates for industrial commodities and the CPI than in our February forecast. The slowing in prices of finished goods appears to be the result of closer examination of food prices for the year. Grocery store prices are now expected to expand slightly more than 3%. Prices of imported goods are expected to increase more substantially. While the PPI is a domestic price index, it appears that our forecasted values for February were too high.

Our estimated increases in the GNP deflator are leading to slower rates of growth for real economic activity than had been anticipated. Much of this acceleration in the deflator is the result of higher energy prices than originally anticipated. However, higher import prices do not have the same effect upon the GNP deflator, since import prices lead to a GNP offset that is not captured in other price indices, while imported goods remain in inventory. Therefore, there will be a slight downward trend.

Miscellaneous - The work week declined significantly in March and should lead to a decline in the leading indicator despite another significant positive contribution from rising stock prices. The decline in M2 during February led to a decline in the impact of real money balances upon the leading indicator which was offset by strong growth in orders. Orders should also weaken in March, causing the overall leading indicator to decline. However, the leading indicators are significantly above levels that had been anticipated in our February forecast.

Financial Markets

The surprising 0.25 percentage point increase in the prime rate appears to be an attempt by the banking industry to re-establish normal spreads between the cost of funds and the yield on their loan portfolios. Much of the deterioration in these spreads occurred in January, but the banks were reluctant to make a prime rate move without evidence that the Federal Reserve was tolerating higher federal funds rates. The Federal Reserve never openly indicated that a higher federal funds target was desired, but the continued performance of federal funds in excess of 6% led to the conclusion that such an increase was not at odds with Federal Reserve policy. Also, a strong stock market may have diverted certificates of deposit from IRA investments in banks to self-directed accounts in brokerage firms. The net result of this was to cause banks more aggressively to

seek funds through certificates of deposit. This caused upward pressures upon those deposits, leading to a narrowing of the spreads. For example, certificates of deposit averaged slightly more than 5.8% during the fourth quarter but had drifted up to an average of 6.15%, a 35 basis-point gain without any adjustment in the prime rate.

As inflationary pressures slowly intensify and inventories once again build up, short-term interest rate pressures should gradually intensify. No dramatic increase in short-term rates is anticipated but the previous modest weakness in rates that was expected in our February forecast simply must be thrown out. These upward pressures upon borrowing costs will lead to further modest increases in the prime rate during the next twelve months.

Long-term interest rates are expected to respond unfavorably to these changing short-term rates. However, the municipals market also has experienced a glut of supply that has led to higher yields in that market relative to the taxable market. These relatively higher yields are expected to persist through the year.

Equity Markets - The equity markets weathered upward pressures upon the prime rate with surprising ease. Indeed, the equity markets now are moving in the opposite direction to changes in interest rates. This is an anomalous performance that cannot persist indefinitely. While operating profits probably are improving slightly as a result of further weakness in the dollar, it is unlikely that they will expand more than 10% in 1987. However, most equity values have increased more than 25% since the first of this year. Further interest rate increases probably will be required before this equity market ultimately reaches its peak. These increasing interest rate pressures may very well materialize during the summer. Thus, a stock market correction probably is in the cards for the second half of this year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	100826	100826	118.6	118.6	110192	110192	6.9	6.9	170.0	170.0
November	101065	101068	119.3	119.3	110432	110432	6.9	6.9	170.9	170.8
December	101334	101322	119.0	119.0	110637	110637	6.7	6.7	170.8	170.6
January 1987	101542	101626	119.5	119.9	110857	111011	6.7	6.7	171.2	170.7
February	101770	101862	119.8	120.9	111092	111382	6.7	6.7	171.6	171.4
March	102010	102026	120.2	120.4	111582	111368	6.6	6.6	172.0	171.8
April	102197	102206*	120.4	120.6*	111723	111584*	6.6	6.6*	172.3	172.2*
May	102378	102375	120.6	120.8	111892	111777	6.6	6.6	172.6	172.5
June	102583	102592	120.8	121.0	111794	112005	6.6	6.6	172.8	172.9
July	102769	102753	121.0	121.1	112093	112199	6.6	6.6	173.2	173.2
August	102979	102946	121.3	121.4	112406	112412	6.7	6.6	173.7	173.6
September	103188	103127	121.5	121.6	112725	112570	6.6	6.6	174.1	174.1
October	103356	103316	121.7	121.8	112846	112782	6.5	6.6	174.5	174.5
November	103532	103501	121.9	121.9	113009	113015	6.5	6.5	174.8	175.0
December	103690	103762	122.1	122.2	113205	113313	6.4	6.4	175.1	175.4
January 1988	103857	103914	122.3	122.4	113398	113480	6.4	6.4	175.9	175.9
February	104060	104117	122.5	122.6	113587	113781	6.4	6.3	176.7	176.6
March	104188	104284	122.6	122.7	113773	114048	6.4	6.3	177.4	177.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	3.519	3.518	2.102	2.102	102.8	93.4	2.991	2.989	2.888	2.896
November	3.527	3.523	2.112	2.112	88.2	92.7	2.994	2.990	2.905	2.897
December	3.555	3.543	2.119	2.115	55.7	36.6	3.019	3.000	2.963	2.963
January 1987	3.560	3.549	2.133	2.128	139.3	120.5	3.059	3.026	2.920	2.905
February	3.574	3.581	2.145	2.146	119.4	109.1	3.067	3.063	2.948	2.954
March	3.588	3.582*	2.157	2.147*	106.7	101.5*	3.075	3.067*	2.968	2.966*
April	3.602	3.599	2.165	2.158	108.5	97.2	3.092	3.085	2.984	2.988
May	3.617	3.613	2.173	2.166	108.3	91.6	3.104	3.095	2.996	3.003
June	3.633	3.630	2.180	2.177	111.3	93.2	3.117	3.108	3.006	3.015
July	3.647	3.643	2.191	2.184	103.9	88.2	3.125	3.117	3.021	3.029
August	3.661	3.661	2.203	2.196	91.6	87.5	3.133	3.131	3.041	3.044
September	3.675	3.678	2.215	2.207	79.7	73.7	3.141	3.144	3.061	3.070
October	3.695	3.695	2.222	2.218	84.4	77.0	3.156	3.157	3.072	3.080
November	3.704	3.709	2.231	2.227	75.1	69.9	3.161	3.167	3.086	3.097
December	3.734	3.730	2.240	2.240	87.7	74.2	3.186	3.184	3.098	3.110
January 1988	3.739	3.739	2.254	2.251	104.0	89.4	3.219	3.214	3.115	3.125
February	3.760	3.762	2.262	2.266	106.6	102.5	3.236	3.240	3.129	3.138
March	3.783	3.778	2.270	2.277	110.4	108.6	3.255	3.258	3.145	3.149

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	2789.4	2797.4	391.3	396.8	934.3	934.6	1463.8	1466.0	2423.8	2430.2
November	2806.5	2798.8	386.9	381.2	939.4	938.0	1480.3	1479.5	2432.7	2427.6
December	2863.8	2865.2	434.4	431.4	946.4	947.6	1483.0	1486.1	2478.8	2479.6
January 1987	2820.0	2806.8	375.6	361.7	950.3	947.9	1494.1	1497.2	2428.9	2409.7
February	2846.8	2855.9	386.5	386.5	955.8	958.6	1504.5	1510.8	2439.4	2443.7*
March	2866.7	2866.9*	390.5	385.4*	961.2	963.2*	1515.0	1518.3*	2443.9	2443.9
April	2881.2	2888.9	392.7	393.8	964.8	966.4	1523.7	1528.7	2452.1	2459.5
May	2892.8	2904.1	394.9	394.9	965.9	969.8	1532.0	1539.4	2455.7	2455.6
June	2902.2	2915.1	395.6	393.1	966.3	973.3	1540.3	1548.7	2457.4	2454.5
July	2916.8	2928.7	395.1	393.5	970.6	977.3	1551.1	1557.9	2463.5	2456.7
August	2936.3	2942.9	400.3	394.9	974.7	987.2	1561.3	1566.8	2471.6	2459.5
September	2955.4	2969.3	404.6	406.9	978.8	985.5	1572.0	1576.9	2479.4	2474.5
October	2964.9	2978.5	401.5	401.7	983.0	989.2	1580.4	1587.6	2479.0	2470.3
November	2978.6	2995.0	403.8	403.0	986.7	992.6	1588.1	1599.4	2480.1	2474.7
December	2990.3	3007.2	404.0	403.4	990.5	996.3	1595.8	1607.5	2477.5	2474.8
January 1988	3006.2	3021.4	405.6	404.6	994.3	1000.5	1606.3	1616.3	2482.4	2474.7
February	3019.8	3033.7	404.9	405.5	997.1	1003.5	1617.8	1624.7	2485.4	2474.4
March	3034.4	3044.9	405.1	405.0	1000.0	1006.1	1629.3	1633.8	2487.2	2470.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	121.66	121.66	19.25	19.25	10.3	10.3	73.98	73.98	28.44	28.44
November	120.94	121.06	19.25	19.27	10.5	10.5	74.23	74.04	27.46	27.75
December	126.26	126.94	19.53	19.67	13.6	13.6	74.81	74.75	31.92	32.52
January 1987	120.53	117.52	19.46	19.41	8.8	8.3	75.23	74.59	25.84	23.52
February	121.13	122.29	19.32	19.80	9.3	9.9	75.56	75.58	26.25	26.91
March	122.60	122.54*	19.30	19.63*	9.7	9.9*	75.92	75.96*	27.38	26.95*
April	122.86	123.82	19.35	19.82	9.9	10.2	76.21	76.23	27.30	27.77
May	123.39	124.24	19.40	19.88	10.1	10.2	76.35	76.51	27.64	27.85
June	123.88	124.31	19.47	20.05	10.2	10.0	76.49	76.80	27.92	27.46
July	124.33	124.69	19.50	19.88	10.1	10.1	76.73	77.13	28.10	27.68
August	125.02	125.19	19.56	19.93	10.2	10.1	77.08	77.46	28.38	27.80
September	125.32	126.98	19.53	20.04	10.2	10.5	77.42	77.81	28.37	29.13
October	125.98	126.67	19.58	20.16	10.2	10.2	77.72	78.12	28.68	28.39
November	126.54	127.10	19.55	20.05	10.3	10.3	78.03	78.40	28.96	28.65
December	126.80	127.46	19.50	20.24	10.3	10.2	78.35	78.71	28.95	28.51
January 1988	127.09	127.96	19.57	20.11	10.3	10.3	78.52	79.06	29.00	28.79
February	127.22	128.32	19.64	20.18	10.2	10.3	78.86	79.31	28.72	28.83
March	127.75	128.48	19.71	20.21	10.2	10.2	79.20	79.53	28.84	28.74

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	1.628	1.657	1.085	1.114	1.565	1.565	379.7	388.5	338.1	348.6
November	1.585	1.637	1.087	1.129	1.613	1.613	377.0	383.1	335.3	345.5
December	1.802	1.813	1.209	1.223	1.893	1.910	380.3	378.5	338.0	341.7
January 1987	1.613	1.804	1.088	1.247	1.496	1.690	380.7	374.8	337.8	339.0
February	1.597	1.851	1.075	1.317	1.523	1.764	375.4	378.4	332.2	341.3
March	1.610	1.799*	1.091	1.283*	1.516	1.723*	374.7	374.4*	331.0	337.0*
April	1.633	1.777	1.103	1.256	1.534	1.692	375.6	373.0	331.2	335.1
May	1.641	1.719	1.110	1.213	1.556	1.643	376.4	374.4	331.6	335.5
June	1.641	1.701	1.111	1.187	1.550	1.607	377.7	373.1	332.8	333.7
July	1.631	1.691	1.122	1.165	1.542	1.588	376.8	372.3	331.4	332.7
August	1.620	1.642	1.115	1.136	1.533	1.553	377.3	371.1	331.0	331.6
September	1.621	1.615	1.120	1.114	1.519	1.492	376.8	370.3	329.7	330.3
October	1.626	1.605	1.126	1.092	1.533	1.498	376.0	370.1	328.7	329.6
November	1.609	1.596	1.113	1.083	1.516	1.476	375.9	368.5	327.7	327.6
December	1.621	1.597	1.129	1.095	1.518	1.485	376.5	368.2	327.7	327.0
January 1988	1.621	1.581	1.116	1.082	1.524	1.489	376.8	368.8	327.4	326.7
February	1.636	1.566	1.125	1.063	1.518	1.482	376.7	368.8	326.7	326.1
March	1.623	1.594	1.120	1.078	1.522	1.503	378.4	368.7	327.3	326.0

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	129.1	133.4	71.9	73.2	178.6	181.9
November	128.2	129.4	70.7	71.5	178.0	182.2
December	128.5	126.9	72.2	73.0	179.6	178.6
January 1987	128.6	118.2	72.5	75.1	179.6	181.5
February	127.8	121.0	71.8	78.0	175.8	179.4
March	127.0	118.1*	71.0	75.1*	176.7	181.2*
April	126.8	115.6	72.3	75.3	176.5	182.1
May	126.5	115.9	73.7	75.6	176.2	182.9
June	126.4	115.3	75.1	76.1	176.2	181.7
July	126.6	115.0	74.6	76.4	175.6	180.9
August	126.8	114.6	75.1	76.9	175.4	179.6
September	126.8	114.9	74.9	77.1	175.1	178.3
October	127.5	115.3	73.9	77.5	174.6	177.3
November	128.2	115.1	73.6	77.3	174.1	176.1
December	129.0	115.4	73.8	77.6	173.7	175.2
January 1988	128.0	115.8	74.3	78.0	174.5	175.0
February	126.5	116.2	74.9	78.2	175.3	174.4
March	126.8	116.6	75.6	78.3	176.0	173.8

Fore. = February Forecast
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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	276.0	320.8	103.57	97.68	26.91	26.56	27.72	27.86
November	276.6	321.1	109.27	103.52	28.65	28.03	27.91	27.55
December	275.3	318.2	106.94	105.97	27.74	29.31	28.23	28.73
January 1987	277.8	320.7	103.46	95.55	26.43	26.78	27.06	25.84
February	279.5	320.4	105.92	101.94	27.17	26.81	27.11	26.81
March	279.3	321.0*	106.42	102.54*	27.61	26.41*	27.56	26.53*
April	280.9	321.7	107.72	103.95	28.13	27.03	27.94	26.73
May	282.0	322.5	107.93	104.46	28.52	27.26	28.06	27.04
June	283.0	323.5	106.85	103.25	28.35	27.09	28.04	27.11
July	284.2	324.5	106.14	103.51	28.05	27.03	28.17	27.17
August	285.5	326.0	106.26	103.46	28.19	27.16	28.26	27.24
September	286.5	327.7	106.52	104.48	28.32	27.31	28.35	27.35
October	288.1	328.6	107.83	104.95	28.86	27.52	28.57	27.51
November	289.8	329.6	108.84	106.17	29.03	27.85	28.75	27.68
December	291.1	331.2	110.23	108.41	29.62	28.06	28.93	27.89
January 1988	292.7	332.8	106.92	103.82	27.46	27.28	28.56	27.46
February	294.0	334.5	108.25	104.16	28.05	27.43	28.82	27.49
March	295.0	336.4	108.59	103.89	28.46	27.31	29.00	27.48

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	591.6	591.6	8.01	8.15	125.3	125.3	79.0	79.0
November	590.6	590.1	8.69	8.93	126.0	126.0	79.4	79.4
December	590.5	586.6	8.43	10.66	126.6	126.6	79.6	79.6
January 1987	593.7	592.2	8.46	8.28	126.9	126.8	79.7	79.6
February	597.5	593.4*	8.59	8.40	127.1	127.3	79.9	79.8
March	597.9	594.9	8.73	8.32*	127.4	126.8*	79.9	79.3*
April	599.4	596.2	8.56	8.48	127.6	127.2	79.9	79.5
May	602.2	597.9	8.82	8.63	127.8	127.4	79.9	79.5
June	604.8	600.4	8.87	8.69	128.1	127.7	80.0	79.6
July	607.3	603.4	8.83	8.75	128.1	127.6	79.8	79.3
August	609.5	606.1	8.76	8.66	128.2	127.9	79.7	79.4
September	611.4	609.1	9.36	9.14	128.7	128.1	79.9	79.4
October	614.2	611.1	8.92	8.57	129.2	128.5	80.2	79.6
November	618.3	613.0	8.95	8.74	129.6	128.7	80.3	79.6
December	621.0	616.0	9.00	8.80	129.8	128.8	80.3	79.5
January 1988	624.6	619.7	9.12	8.66	130.0	129.0	80.3	79.5
February	626.9	622.9	9.16	8.81	130.0	129.3	80.1	79.6
March	628.6	626.5	9.21	8.94	130.1	129.5	80.0	79.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	329.8	330.0	290.3	289.9	309.3	309.3	115.0	115.0
November	330.7	330.8	290.9	290.2	309.6	309.6	115.3	115.2
December	331.5	331.4	290.9	289.9	309.3	309.3	115.6	115.4
January 1987	333.0	333.6	291.8	291.7	312.3	313.6	116.1	116.2
February	334.7	334.9	294.0	292.0	314.7	315.7	116.6	116.6
March	335.5	335.9*	295.1	292.9*	316.5	316.0*	117.1	117.0*
April	336.2	337.2	295.6	294.3	314.7	316.4	117.4	117.2
May	337.0	339.0	296.2	294.9	312.8	317.2	117.6	117.9
June	338.7	340.4	296.8	295.4	312.4	317.9	117.6	118.4
July	339.5	341.5	297.5	296.0	313.0	318.4	118.0	118.8
August	340.1	342.9	298.2	296.6	314.3	318.9	118.5	119.2
September	340.7	343.7	298.9	297.3	312.9	316.8	118.9	119.5
October	341.9	345.4	300.0	297.8	315.7	320.2	119.1	120.0
November	343.4	346.5	301.0	298.2	316.1	320.9	119.3	120.5
December	345.0	347.9	302.1	298.8	316.5	321.8	119.6	120.9
January 1988	346.0	349.6	303.1	300.1	318.3	323.3	120.1	121.5
February	347.0	351.0	304.2	301.0	320.2	325.4	120.7	121.9
March	348.1	353.0	305.4	301.8	322.0	326.8	121.3	122.5

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	115.1	115.1	105.4	105.6	107.1	107.1	124.0	124.0	112.3	111.4
November	115.4	115.3	105.7	105.3	107.3	107.3	124.3	124.2	112.4	110.9
December	115.5	115.6	106 5	106.9	107.5	107.9	124.5	124.1	112.5	110.8
January 1987	116.1	116.5	106.0	106.0	108.3	109.2	125.0	124.7	112.7	110.6
February	116.7	116.9*	106.2	105.7*	109.1	109.9*	125.5	125.3*	113.0	110.9
March	117.3	117.3	106.5	106.0	109.6	110.4	126.1	125.7	113.2	111.1*
April	117.5	117.5	106.7	106.7	109.8	111.0	126.6	126.2	113.4	111.3
May	117.8	118.3	106.9	107.0	109.8	111.4	126.9	126.6	113.5	111.6
June	118.1	118.8	107.2	107.3	109.9	111.8	127.3	127.2	113.5	111.8
July	118.4	119.2	107.4	107.6	110.1	112.2	127.9	127.7	113.7	111.9
August	118.8	119.7	107.6	107.9	110.4	112.6	128.4	128.2	114.0	111.9
September	119.2	120.0	107.8	107.9	110.7	113.0	128.8	128.7	114.3	112.1
October	119.6	120.6	108.0	108.2	111.1	113.3	129.3	129.5	114.4	112.3
November	120.1	121.0	108.3	108.5	111.6	113.7	129.9	130.0	114.7	112.5
December	120.7	121.5	108.6	108.8	112.0	114.1	130.5	130.6	114.9	112.6
January 1988	121.1	122.1	108.8	109.1	112.4	114.5	131.1	131.4	115.1	112.9
February	121.5	122.6	109.0	109.4	112.7	115.0	131.6	132.1	115.3	113.1
March	122.0	123.3	109.3	109.6	113.1	115.6	132.1	132.8	115.6	113.1

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	-14.71	-12.06	180.4	180.9	4250	4246	3696	3692	-6.3	-6.3
November	-19.22	-19.22	182.5	182.5	4268	4260	3702	3698	-9.4	-9.0
December	-11.66	-10.66	184.1	186.8	4287	4270	3708	3700	-11.3	-9.3
January 1987	-15.25	-14.78	182.9	185.8	4309	4308	3711	3707	-16.3	-13.5
February	-14.37	-15.57p	183.4	187.1	4347	4349	3728	3730	-20.5	-17.6
March	-13.79	-14.21*	183.0	186.7*	4380	4373	3740	3738	-23.9	-15.4
April	-14.88	-14.26	183.9	187.2	4396	4390	3744	3746	-7.3	-12.1
May	-14.55	-14.03	184.3	187.6	4413	4420	3753	3749	-1.4	-7.3
June	-13.95	-13.65	184.8	187.0	4430	4443	3767	3753	-4.8	-6.5
July	-14.43	-13.72	185.1	187.1	4449	4464	3770	3758	-5.9	-6.8
August	-14.41	-13.36	184.7	187.3	4468	4480	3770	3758	-7.0	-7.2
September	-13.59	-13.55	184.2	187.7	4486	4504	3773	3769	-8.1	-7.9
October	-13.92	-13.29	183.6	188.2	4507	4524	3784	3770	-11.6	-8.5
November	-13.44	-12.65	183.1	189.0	4533	4550	3799	3776	-14.3	-10.2
December	-13.03	-12.83	183.7	189.5	4560	4578	3813	3787	-17.0	-12.6
January 1988	-14.43	-12.74	184.4	188.2	4581	4607	3814	3792	-16.3	-14.5
February	-14.02	-12.06	184.9	188.4	4600	4626	3811	3795	-15.8	-16.1
March	-13.90	-11.79	184.3	188.3	4619	4651	3808	3797	-15.4	-15.6

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	250.8	250.8	701.2	701.4	2765.2	2760.7	5.85	5.85	5.26	5.26
November	252.9	252.8	713.5	712.4	2781.4	2775.4	6.04	6.04	5.41	5.41
December	254.9	255.3	730.4	730.5	2804.3	2799.8	6.91	6.91	5.55	5.55
January 1987	257.3	258.8	735.3	737.6	2826.5	2822.0	6.15	6.43	5.47	5.44
February	259.2	259.3	738.4	737.2	2841.6	2821.3	6.22	6.10	5.43	5.59
March	261.1	260.6*	744.5	740.6*	2856.8	2829.9*	6.02	6.15*	5.45	5.66*
April	262.5	261.3	750.6	744.3	2873.4	2844.0	5.64	6.13	5.33	5.73
May	264.0	263.0	755.3	749.0	2895.5	2862.0	5.53	6.20	5.25	5.78
June	265.6	263.9	759.9	752.1	2917.3	2876.3	5.51	6.26	5.18	5.84
July	267.4	265.0	765.3	755.8	2932.4	2893.3	5.27	6.34	5.03	5.87
August	269.1	266.4	771.0	759.5	2945.6	2913.3	5.34	6.25	5.09	5.74
September	270.8	267.9	776.8	763.0	2958.1	2929.7	5.53	6.29	5.15	5.78
October	272.2	269.2	780.1	767.2	2976.4	2945.8	5.82	6.23	5.37	5.73
November	273.9	270.5	783.4	771.5	2997.9	2966.4	5.93	6.38	5.42	5.80
December	275.5	272.3	786.8	776.6	3018.8	2986.0	6.03	6.50	5.48	6.02
January 1988	276.9	274.0	791.2	780.9	3034.6	3002.5	6.15	6.53	5.53	6.06
February	278.9	275.7	795.1	787.1	3049.1	3020.5	6.19	6.47	5.60	6.01
March	280.8	277.6	799.0	791.7	3064.0	3041.6	6.18	6.55	5.56	6.07

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	8.86	8.86	7.08	7.08	5.68	5.68	5.69	5.69	7.50	7.50
November	8.68	8.68	6.85	6.85	5.76	5.76	5.76	5.76	7.50	7.50
December	8.49	8.49	6.86	6.86	6.10	6.10	6.04	6.04	7.50	7.50
January 1987	8.46	8.36	6.53	6.61	6.10	5.84	6.05	5.87	7.50	7.50
February	8.55	8.38	6.67	6.61	6.13	6.05	6.15	6.10	7.50	7.50
March	8.51	8.48*	6.62	6.83*	6.00	6.20*	6.07	6.22*	7.50	7.50*
April	8.43	8.51	6.53	6.88	5.56	6.16	5.63	6.23	7.50	7.75
May	8.41	8.64	6.50	7.00	5.43	6.19	5.52	6.28	7.50	7.75
June	8.29	8.77	6.43	7.13	5.28	6.31	5.35	6.42	7.29	7.86
July	8.25	8.82	6.37	7.20	5.20	6.37	5.29	6.48	7.00	8.00
August	8.37	8.86	6.49	7.26	5.29	6.20	5.34	6.33	7.00	8.00
September	8.49	8.75	6.61	7.15	5.52	6.33	5.63	6.40	7.48	8.00
October	8.75	8.71	6.84	7.10	5.78	6.30	5.89	6.41	7.50	8.00
November	8.85	8.93	6.93	7.32	5.93	6.46	5.98	6.57	7.61	8.00
December	8.92	9.07	7.00	7.46	6.05	6.58	6.19	6.67	7.75	8.18
January 1988	9.03	9.15	7.12	7.56	6.17	6.55	6.31	6.71	7.75	8.25
February	8.90	9.11	6.99	7.50	6.22	6.50	6.37	6.65	7.75	8.25
March	8.92	9.20	7.01	7.56	6.20	6.57	6.33	6.69	7.75	8.25

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MONTHLY PROJECTIONS
April 1987

Dr. Donald Ratajczak, Director
For Release: April 30, 1987

INFLATIONARY WORRIES NOW EXCEEDING INFLATIONARY REALTY

A month ago, it appeared that investors were trying to overlook the inflationary fallout that was being generated by a devaluing dollar. Although GSU has been gradually raising its inflation forecast for the year because of these inflationary implications, there appeared to be little response from fixed income investors. As a result, it appeared that only a gradual awakening to the gradually intensifying inflationary environment would materialize. For that reason, we assumed that interest rates would drift upward, although our earlier forecast that economic weakness could cause interest rates to decline in the spring had been rejected in our previous projections.

In the past few weeks, however, fixed income investors have caught an inflation chill and have caused long-term interest rates to move dramatically higher. For example, the long-term government bond has increased in yield from 7.4% to 8.8% before rallying slightly in recent days. Corporate bonds have not shown a similar change, but yields have moved above 9% from 8.3% only three weeks ago. The greatest damage has occurred in the municipals market, where heavy supplies already were increasing spreads when the weakness in bond prices in other markets became apparent. As a result, municipal yields increased to more than 8% on the bond buyer at its worst point before rallying slightly in the last few days. Indeed, changes in market sentiment were so abrupt that historical spreads between mortgage-backed securities and ten-year treasury issues became unusually wide while the bond buyer traded in excess of 0.9 times the corporate AAA.

This rapid surge in interest rates could be the result of several prospects. Either investors are now awakening to the increased inflationary pressures generated by a declining dollar or they are observing a faster deterioration in the prospects for price stability than appeared likely only a month ago. In fact, a little of both explanations appear to be appropriate. However, increased inflationary prospects are being generated by the dollar's further decline against foreign currencies. Most of this dollar decline has resided in the yen-dollar relationship. In recent days, European currencies also appreciated against the dollar, but the trade-weighted index only deteriorated from 100 to 96 during April. The inflationary fallout from such a

moderate deterioration in the dollar's value is not insignificant, but it should add only 0.2 percentage points to our inflation projections for 1987.

Of course, the markets may be concerned with the effects that this heightened inflationary outlook will have upon inflationary psychology and wage demands in 1988. Already, inflationary psychology appears to be causing higher price adjustments in the service economy than are warranted by cost pressures. If wages begin responding to these heightened inflationary concerns, cost pressures could cause total wage costs to grow by 5% in 1988. (Remember, social security taxes will rise sharply during January of that year). Thus, the beginning of an inflationary spiral could develop if the dollar depreciates further.

On the other hand, the dollar's decline probably is nearing an end. Although the dollar could fall to 125 yen before wage cost equality is established between Japanese export industries and manufacturing in the United States, wage costs in Japan currently are higher per hour worked in all manufacturing than they are in the United States. Similarly, wage costs are significantly higher in Europe per hour worked than they are in the U.S. Currency changes already have established levels that should prevail in long-term equilibrium conditions. Certainly, the dollar is close enough to an equilibrium value even against Japan's export-oriented industries to become stable if interest rate differentials are widened slightly further. Thus, further substantial dollar deterioration should not be anticipated. However, enough inflationary damage has been generated to force the Federal Reserve to create those interest rate differentials that will guarantee stability between the dollar and other currencies.

Probably of greater significance than the increasing inflationary fallout from a falling dollar is the growing awareness that inflation is indeed intensifying. In fact, while interest rates undoubtedly increased much more dramatically much earlier than anticipated, current yields are not significantly above values projected for early 1988. Thus, the markets appear to have awoken to inflationary concerns and have now fully adjusted for reasonable inflationary fears through next year. If that is the case, little further increases in long-term interest rates should be anticipated, even as the Federal Reserve increases short-term rates in order to insure more stable exchange rates.

Of course, if the economy were weakening dramatically, such rising inflationary fears would soon dissipate. However, the GNP during the first quarter expanded a healthy 4.3%. Some commentators have indicated that, as final sales fell 2.2%, all of this activity was borrowing from the second quarter. However, a significant amount of the plunge in final sales was the result of reduced purchases by the Commodity Credit Corporation in the first quarter. From inventories that were purchased by the government and stored during the fourth quarter, causing an increase in government spending and a decrease in farm inventories, were stored by private farmers in the first quarter. Excluding the Commodity Credit Corporation fluctuations, final sales would have increased 0.4% in the first quarter.

Also, some final sales were shifted into the fourth quarter at the expense of the first quarter. About 250,000 automobiles were sold in December in order to beat the repeal of sales tax deductibility. This robbed auto sales from the first quarter but should have no notable effect upon auto sales in the spring. Also, changes in depreciation schedules encouraged many purchasing agents to

accelerate the receipt of capital goods in the fourth quarter. This explains the surge in durable shipments and orders in November and December followed by a plunge in January. This probably shifted $9 billion of investment activity into the fourth quarter at the expense of first quarter activity. These shifts alone will add $15 billion of real final sales to second quarter economic activity.

Although the trade balances probably will not be improving as sharply in the second quarter as in the first quarter, because more oil will be imported, some improvement in trade balances should be expected. Adding several billion dollars for government and another $10 billion for non-auto consumer spending but taking away a few billion dollars from housing activity should lead to gains in final sales in excess of $32 billion.

The level of economic activity in the second quarter will be determined by the degree of inventory accumulation. Automobile inventories are excessive and will be reduced in the spring. However, increasing commodity inflation probably will encourage increased inventory holdings both by wholesalers and manufacturers. Although some reduction in inventory investment is anticipated, the degree of reduction should not be sufficient to stall economic activity.

Inflation as measured by the GNP deflator was lower than our anticipations as import prices continued to expand rapidly. Because of the absence of import pricing in inventory adjustments, inventories that arrive from abroad are overstated in volume. Only when those inventories are used for final purposes will the appropriate price adjustments be reflected. Thus, when import prices are rising sharply, as they have been during the fourth quarter and the first quarter this year, the GNP deflator understates underlying inflation. When the dollar stabilizes, which may occur toward the end of this year, the GNP deflator will tend to overstate underlying inflation. At the present time, a better measure of inflationary pressures is the CPI and PPI indices. Both of these indices are showing significant acceleration. However, one portion of this acceleration has been caused by energy prices. Energy price gains now are beginning to slow. Indeed, we anticipate only slightly more than $18 per barrel of oil in 1987 and an increase to slightly less than $20 per barrel in 1988. This will result in lower rates of inflation for the energy components during the remainder of this year and next year than has been experienced over the past six months.

Quarterly Profile of GNP

	1987-1	1987-2	1987-3	1987-4	1988-1	1988 Annual	1987 Annual
Real:	4.3	1.8	2.4	1.8	2.0	2.5	2.7
Price:	3.5	4.1	4.6	4.7	4.5	3.1	4.3
Nominal:	7.8	6.1	7.1	6.6	6.5	5.7	7.1

Monthly Statistical Highlights for April 1987

Payroll employment +180,000; index of hours worked +0.2%; household employment +216,000; civilian unemployment rate 6.6%; personal income +0.4%; savings rate 3.6%; personal consumption +0.3%; retail sales -0.1%; auto sales

9.7 million units; housing starts -1.2%; housing permits -2.5%; construction expenditures -0.6%; business inventories +0.4%; orders for durable goods -2.3%; orders for nondefense capital goods -2.5%; industrial production UNC; CPI +0.3%; PPI +0.5%; consumption deflator +0.4%; leading indicators +0.4%; real GNP +0.6%; M1 +15.8%; M2 +8.7%.

Monthly Statistical Highlights for May 1987

Payroll employment +108,000; index of hours worked +0.1%; household employment +153,000; civilian unemployment rate 6.6%; personal income +0.4%; savings rate 3.6%; personal consumption +0.3%; retail sales -0.2%; auto sales 9.5 million units; housing starts -2.6%; housing permits -3.5%; construction expenditures -0.5%; business inventories +0.6%; orders for durable goods -0.5%; orders for nondefense capital goods -0.3%; industrial production +0.2%; CPI +0.5%; PPI +0.2%; consumption deflator +0.4%; leading indicator -0.3%; real GNP 2.9%; M1 +3.8%; M2 6.2%.

COMMENTARY

Employment - Initial unemployment claims continue to decline, averaging only 330,000 during the early weeks of April. More importantly, the insured unemployment rate has dipped to 2.5%. Normally, this dip would be consistent with a modest dip in the unemployment rate. However, the significant reduction in hours during March strongly suggests that less than normal expansion in payrolls should be anticipated. For that reason, no adjustments have been made to our payroll estimates.

Personal Income and Outlays - March wages and salaries increased more than anticipated, although manufacturing payrolls declined. Given a significant reduction in hours, smaller gains in wage and salaries were anticipated. Also, property income is beginning to rise as interest income begins to increase. More substantial gains are anticipated for interest income in the months ahead. Therefore, personal income is expected to grow more rapidly than wages and salaries for the remainder of this year.

Savings rates are expected to slow significantly during the second half of the year as a result of the change in tax liabilities. Because of the bracketing for inflation, tax liabilities are significantly reduced early in the year and then gradually increase as the year progresses. This causes higher savings early in the year followed by reduced savings later on. Apparently, consumers are aware of this shift in liabilities through the year and are not altering their consumption patterns to reflect the savings shifts caused by intra-year tax liability changes. Thus, gains from the W-4 under-withholding problem really should not be substantial in stimulating consumer spending in 1987 or in retarding it during 1988.

Automobile sales are not responding as aggressively to the latest incentives as in the past. The result will be reduced auto sales through the spring. This, in turn, should reduce retail activity and slow the growth of consumer spending. However, a significant upward revision in sales of non-auto durables, especially furniture and home improvement items, will lead to more substantial gains for durable spending through much of this year. When housing activity slows later in the year, however, little further growth is expected for non-auto

durables. The more dramatic increases in nondurables than contained in our February forecast is the result of higher oil prices in the spring than originally anticipated. Because of the Saudi Arabian resolve to remain the swing producer for oil, there will be no backsliding in petroleum product prices this year. Our forecast assumed some moderate backsliding followed by firming as the heating season approached toward the end of the year.

Construction - As more normal weather patterns developed in the spring, housing starts slowed. However, single-family starts remain relatively robust. Moreover, they remain stronger than is justified by current sales activity. Single-family sales slowed to 699,000, nearly 70,000 below peak sales levels during 1986. As a result, a signficant slowing in single-family starts would have been expected even before mortgage rates moved above 10% in April. With higher mortgege rates, housing activity will slow more substantially later in the year than originally projected.

The return of more normal weather also should be apparent in construction expenditures, which are expected to decline significantly in the next few months. Prices of construction materials remain modest although a 15% adjustment in Canadian lumber exports and increasing American exports of hardwoods, especially red oak, are placing some modest upward pressures upon the construction deflator. At the present time, however, wage pressures are not apparent.

Business Activity - Defense activity was surprisingly strong in March as defense shipments and orders rebounded sharply. Nondefense activity also was strong, although aircraft was a significant contributor to both sectors. A slight increase in automobile activity also was appropriately reflected. A significant pullback in defense activity and a reduction in aircraft shipments should occur next month. However, shipments certainly are stronger during the second quarter than early in the year, when fixed investment fell sharply from the fourth quarter.

Inventory increases in February were heavily concentrated in automobiles and nondurable goods. The increase in nondurable goods at wholesale may reflect price considerations. The inventory figures have been adjusted for a new accounting of the LIFO provision. The net result has been a significant expansion in the dollar value of inventories. However, this adjustment is an accounting change and does not appear to significantly alter the degree of inventory imbalance relative to economic activity.

Industrial production fell as anticipated in March, but automobiles still were assembled at a 7.9 million clip. Further reductions in auto assemblies are expected in April in order to bring inventories into line with reduced sales. However, an increase in industrial materials and in business equipment should offset continued weakness in consumer goods.

Prices - Auto rebates remained in place through April. As a result, relatively modest inflationary pressures are expected in April. However, when the rebates are removed in May a significant surge in the price indices should develop. In addition, accelerating commodity prices are beginning to be reflected in the industrial commodities index. The increasing discrepancy between the CPI and the PPI appears to be the result of import prices. The PPI is a domestic index and does not directly incorporate the influence of import prices while the CPI captures prices of all goods purchased by consumers.

Miscellaneous - The leading indicators rose as a result of strong gains for stock market prices and plant and equipment orders. Gains also were significant for vendors performance and initial unemployment claims. Most of these gains will not persist in April. However, sufficient increases are anticipated for the money stock and sensitive prices to ensure another modest increase in the leading indicators at that time. Little further gain is expected in the leading indicators for the remainder of this year. Further gains in the leading indicators will need to come from orders, stock market changes, and the money stock. However, an acceleration in inflationary pressures probably will prevent the real money stock from growing significantly. If the stock market is about to peak, as some indicators suggest, there will be little further forward thrust for the leading indicators.

The trade balances have been revised to reduce the inappropriate reporting that has plagued the data in past months. Thus, the surge in trade deficits during February could be more a statistical than real abberration. According to the GNP components, however, some deterioration in the trade balances appears to have developed in February and only a modest improvement from those levels seems likely in March. As the dollar declined significantly during March and early April, goods arriving in this country in May and June probably will be experiencing higher dollar costs. A significant increase in oil imports is expected in April. Therefore, improvement in the trade balances is not likely until the end of the year, after the dollar has stabilized.

Financial Markets

Inflationary fears and the absence of foreign purchases appears to have done the most damage to the fixed income markets during April. Economic activity was not especially vigorous. However, loan activity did not diminish significantly after the April 15 tax date. At least in the short end of the market, credit market pressures were intensifying. It does not appear that inventory accumulations were the primary reason for increased borrowings. A slight movement towards liquidity may be the reason for the upward pressures on short-term rates.

Corporate borrowings are intensifying during the second quarter as fixed investment rebounds from its winter lull and inventory accumulations remain relatively high. Some of this increased borrowing is being met by improved corporate earnings. However, higher commodity inflation is increasing the borrowing needed to support current inventory holdings.

The household sector probably will diminish their savings during the second quarter as automobiles begin rebounding following the first quarter dip. Mortgage activity may spurt slightly as rising mortgage rates cause some previous fence sitters to rush into the market before interest rates rise further. Thus, net contributions to the credit markets from the household sector could diminish slightly.

Despite the adverse shift in corporate and consumer needs, the credit markets are being influenced by perceptions of foreign sentiment. Dollar weakness has raised the spectre that Japanese investors will not be taking their normal more than one-third of the ten- and thirty-year government bonds when they are auctioned next week. In fact, the rising interest rate differential

between Japan and the United States should insure a significant presence by Japanese investors.

Of course, the Federal Reserve must institutionalize the higher short-term interest rates that the markets currently are dictating by increasing the discount rate. It would be appropriate for such a discount move to occur prior to the auction to insure significant contributions from foreign investors. Further upward pressures on short-term interest rates are expected later in the year, when the dollar could show further weakness. However, improving trade balances late in the year probably will prevent much further dollar weakness early in 1988. At that time, interest rates are expected to stabilize.

Equity Markets - The equity markets are being buffeted by higher interest rates on the one hand and increased earning opportunities on the other as export markets gradually improve and domestic producers and consumers substitute American product for foreign goods. However, the stock market does not appear to have yet recognized the magnitude of interest rate increase in the long-term bond market. As short-term interest rates rise, financial costs will be rising. This will lead to a change in the composition of capital earnings, with a greater percentage of that composition falling to interest recipients rather than to equity owners. For that reason, the stock market probably has already reached its high for the year. Nevertheless, a rebound to that high is possible in the next few weeks once bond markets stabilize. The Dow Jones average probably will end the year just above 2000, indicating that a significant but not dramatic selloff is likely between now and year-end.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	100826	100826	118.6	118.6	110192	110192	6.9	6.9	170.0	170.0
November	101065	101068	119.3	119.3	110432	110432	6.9	6.9	170.9	170.8
December	101334	101322	119.0	119.0	110637	110637	6.7	6.7	170.8	170.6
January 1987	101542	101626	119.5	119.9	110857	111011	6.7	6.7	171.2	170.7
February	101770	101862	119.8	120.9	111092	111382	6.7	6.7	171.6	171.4
March	102010	102026	120.2	120.4	111582	111368	6.6	6.6	172.0	171.8
April	102197	102206*	120.4	120.6*	111723	111584*	6.6	6.6*	172.3	172.2*
May	102378	102314	120.6	120.7	111892	111727	6.6	6.6	172.6	172.5
June	102583	102492	120.8	120.9	111794	111913	6.6	6.6	172.8	172.9
July	102769	102586	121.0	121.0	112093	112039	6.6	6.7	173.2	173.2
August	102979	102773	121.3	121.2	112406	112231	6.7	6.7	173.7	173.6
September	103188	102942	121.5	121.4	112725	112439	6.6	6.6	174.1	174.1
October	103356	103121	121.7	121.6	112846	112634	6.5	6.6	174.5	174.5
November	103532	103299	121.9	121.8	113009	112841	6.5	6.6	174.8	175.0
December	103690	103478	122.1	122.0	113205	113044	6.4	6.6	175.1	175.4
January 1988	103857	103580	122.3	122.1	113398	113191	6.4	6.7	175.9	175.9
February	104060	103758	122.5	122.3	113587	113382	6.4	6.7	176.7	176.6
March	104188	103861	122.6	122.4	113773	113512	6.4	6.7	177.4	177.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	3.519	3.518	2.102	2.102	102.8	93.4	2.991	2.989	2.888	2.896
November	3.527	3.523	2.112	2.112	88.2	92.7	2.994	2.990	2.905	2.897
December	3.555	3.543	2.119	2.115	55.7	36.6	3.019	3.000	2.963	2.963
January 1987	3.560	3.553	2.133	2.129	139.3	118.8	3.059	3.024	2.920	2.905
February	3.574	3.599	2.145	2.145	119.4	103.2	3.067	3.075	2.948	2.972
March	3.588	3.604	2.157	2.153	106.7	105.6	3.075	3.087	2.968	2.981
April	3.602	3.618*	2.165	2.164*	108.5	111.7*	3.092	3.102*	2.984	2.990*
May	3.617	3.632	2.173	2.171	108.3	111.3	3.104	3.112	2.996	3.001
June	3.633	3.649	2.180	2.182	111.3	103.4	3.117	3.124	3.006	3.021
July	3.647	3.663	2.191	2.189	103.9	97.8	3.125	3.134	3.021	3.036
August	3.661	3.680	2.203	2.200	91.6	89.0	3.133	3.146	3.041	3.057
September	3.675	3.698	2.215	2.211	79.7	81.7	3.141	3.159	3.061	3.077
October	3.695	3.716	2.222	2.222	84.4	93.2	3.156	3.171	3.072	3.078
November	3.704	3.733	2.231	2.233	75.1	84.0	3.161	3.183	3.086	3.099
December	3.734	3.751	2.240	2.244	87.7	83.9	3.186	3.197	3.098	3.113
January 1988	3.739	3.763	2.254	2.253	104.0	112.7	3.219	3.238	3.115	3.125
February	3.760	3.786	2.262	2.268	106.6	125.5	3.236	3.264	3.129	3.139
March	3.783	3.804	2.270	2.279	110.4	130.2	3.255	3.282	3.145	3.152

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	2789.4	2797.4	391.3	396.8	934.3	934.6	1463.8	1466.0	2423.8	2430.2
November	2806.5	2798.8	386.9	381.2	939.4	938.0	1480.3	1479.5	2432.7	2427.6
December	2863.8	2865.2	434.4	431.4	946.4	947.6	1483.0	1486.1	2478.8	2479.6
January 1987	2820.0	2806.6	375.6	364.8	950.3	946.8	1494.1	1495.0	2428.9	2408.9
February	2846.8	2873.7	386.5	394.3	955.8	970.0	1504.5	1509.3	2439.4	2460.0
March	2866.7	2882.6	390.5	397.2	961.2	971.6	1515.0	1513.9	2443.9	2459.3*
April	2881.2	2891.4*	392.7	393.3*	964.8	975.7*	1523.7	1522.4*	2452.1	2457.5
May	2892.8	2901.5	394.9	389.1	965.9	979.5	1532.0	1532.9	2455.7	2455.8
June	2902.2	2921.1	395.6	395.5	966.3	983.9	1540.3	1541.7	2457.4	2464.0
July	2916.8	2936.3	395.1	398.7	970.6	986.8	1551.1	1550.8	2463.5	2469.1
August	2936.3	2956.8	400.3	406.2	974.7	990.2	1561.3	1560.4	2471.6	2478.1
September	2955.4	2976.7	404.6	414.8	978.8	992.4	1572.0	1569.5	2479.4	2485.1
October	2964.9	2976.8	401.5	401.3	983.0	996.4	1580.4	1579.1	2479.0	2475.6
November	2978.6	2997.5	403.8	407.2	986.7	999.6	1588.1	1590.7	2480.1	2484.3
December	2990.3	3011.2	404.0	408.2	990.5	1003.4	1595.8	1599.6	2477.5	2485.6
January 1988	3006.2	3022.9	405.6	409.1	994.3	1005.4	1606.3	1608.4	2482.4	2487.4
February	3019.8	3035.6	404.9	410.2	997.1	1008.8	1617.8	1616.6	2485.4	2489.5
March	3034.4	3048.3	405.1	410.5	1000.0	1012.3	1629.3	1625.5	2487.2	2490.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	121.66	121.66	19.25	19.25	10.3	10.3	73.98	73.98	28.44	28.44
November	120.94	121.06	19.25	19.27	10.5	10.5	74.23	74.04	27.46	27.75
December	126.26	126.94	19.53	19.67	13.6	13.6	74.81	74.75	31.92	32.52
January 1987	120.53	118.58	19.46	20.04	8.8	8.2	75.23	74.81	25.84	23.73
February	121.13	124.41	19.32	20.76	9.3	9.9	75.56	76.73	26.25	26.93
March	122.60	124.67	19.30	20.65	9.7	10.2	75.92	76.82	27.38	27.20
April	122.86	124.53*	19.35	20.83*	9.9	9.7*	76.21	77.14*	27.30	26.56*
May	123.39	124.32	19.40	20.87	10.1	9.5	76.35	77.44	27.64	26.01
June	123.88	125.44	19.47	21.00	10.2	9.8	76.49	77.79	27.92	26.65
July	124.33	126.06	19.50	21.03	10.1	10.0	76.73	78.02	28.10	27.01
August	125.02	127.23	19.56	21.02	10.2	10.4	77.08	78.29	28.38	27.92
September	125.32	128.44	19.53	21.10	10.2	11.0	77.42	78.46	28.37	28.88
October	125.98	127.03	19.58	21.19	10.2	9.6	77.72	78.78	28.68	27.16
November	126.54	128.09	19.55	21.23	10.3	10.0	78.03	79.03	28.96	27.83
December	126.80	128.51	19.50	21.19	10.3	10.1	78.35	79.33	28.95	27.99
January 1988	127.09	128.78	19.57	21.23	10.3	10.1	78.52	79.49	29.00	28.06
February	127.22	129.18	19.64	21.18	10.2	10.2	78.86	79.76	28.72	28.24
March	127.75	129.49	19.71	21.17	10.2	10.2	79.20	80.03	28.84	28.29

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single-family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	1.628	1.657	1.085	1.114	1.565	1.565	379.7	388.5	338.1	348.6
November	1.585	1.637	1.087	1.129	1.613	1.613	377.0	383.1	335.3	345.5
December	1.802	1.813	1.209	1.223	1.893	1.910	380.3	378.5	338.0	341.7
January 1987	1.613	1.816	1.088	1.253	1.496	1.690	380.7	374.8	337.8	339.0
February	1.597	1.833	1.075	1.299	1.523	1.763	375.4	378.4	332.2	341.3
March	1.610	1.774	1.091	1.245	1.516	1.757	374.7	375.2*	331.0	337.7*
April	1.633	1.753*	1.103	1.217*	1.534	1.713*	375.6	372.9	331.2	334.7
May	1.641	1.707	1.110	1.169	1.556	1.653	376.4	371.2	331.6	333.2
June	1.641	1.676	1.111	1.153	1.550	1.594	377.7	369.2	332.8	330.5
July	1.631	1.680	1.122	1.166	1.542	1.586	376.8	367.0	331.4	328.3
August	1.620	1.648	1.115	1.142	1.533	1.552	377.3	367.5	331.0	328.1
September	1.621	1.637	1.120	1.126	1.519	1.523	376.8	367.2	329.7	327.6
October	1.626	1.609	1.126	1.107	1.533	1.525	376.0	366.7	328.7	326.2
November	1.609	1.595	1.113	1.093	1.516	1.486	375.9	365.2	327.7	324.3
December	1.621	1.561	1.129	1.078	1.518	1.462	376.5	364.9	327.7	323.8
January 1988	1.621	1.560	1.116	1.084	1.524	1.469	376.8	364.4	327.4	322.8
February	1.636	1.554	1.125	1.073	1.518	1.473	376.7	364.1	326.7	322.2
March	1.623	1.564	1.120	1.080	1.522	1.478	378.4	364.5	327.3	322.0

	Non-Residential Construction		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	129.1	133.4	71.9	73.2	178.6	181.9
November	128.2	129.4	70.7	71.5	178.0	182.2
December	128.5	126.9	72.2	73.0	179.6	178.6
January 1987	128.6	118.2	72.5	75.1	179.6	181.5
February	127.8	121.0	71.8	78.0	175.8	179.4
March	127.0	118.1*	71.0	75.1*	176.7	182.0*
April	126.8	115.6	72.3	75.8	176.5	181.5
May	126.5	115.3	73.7	75.0	176.2	180.9
June	126.4	115.0	75.1	75.3	176.2	178.9
July	126.6	113.9	74.6	75.7	175.6	177.4
August	126.8	114.3	75.1	76.3	175.4	176.9
September	126.8	114.5	74.9	76.6	175.1	176.1
October	127.5	113.8	73.9	77.1	174.6	175.8
November	128.2	113.6	73.6	77.5	174.1	174.1
December	129.0	114.2	73.8	77.8	173.7	172.9
January 1988	128.0	114.6	74.3	78.2	174.5	171.6
February	126.5	114.5	74.9	78.5	175.3	171.1
March	126.8	114.8	75.6	78.8	176.0	170.9

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	276.0	318.2	103.57	97.68	26.91	26.56	27.72	27.86
November	276.6	318.7	109.27	103.52	28.65	28.03	27.91	27.55
December	275.3	318.2	106.94	105.96	27.74	29.31	28.23	28.73
January 1987	277.8	320.7	103.46	95.47	26.43	26.76	27.06	25.83
February	279.5	320.4	105.92	101.94	27.17	26.90	27.11	26.84
March	279.3	320.3*	106.42	105.37	27.61	27.53	27.56	27.71
April	280.9	321.0	107.72	102.96*	28.13	26.84*	27.94	27.03*
May	282.0	321.6	107.93	102.43	28.52	26.75	28.06	26.62
June	283.0	322.5	106.85	104.16	28.35	27.13	28.04	27.05
July	284.2	323.2	106.14	104.79	28.05	27.52	28.17	27.46
August	285.5	324.0	106.26	106.24	28.19	28.07	28.26	28.13
September	286.5	324.9	106.52	108.63	28.32	28.84	28.35	29.12
October	288.1	326.0	107.83	102.97	28.86	26.95	28.57	27.16
November	289.8	327.3	108.84	104.42	29.03	27.15	28.75	27.20
December	291.1	328.9	110.23	104.93	29.62	27.46	28.93	27.67
January 1988	292.7	330.1	106.92	106.05	27.46	27.93	28.56	27.88
February	294.0	332.4	108.25	106.17	28.05	27.86	28.82	27.96
March	295.0	333.3	108.59	105.95	28.46	27.74	29.00	28.15

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	591.6	656.6	8.01	8.15	125.3	125.3	79.0	79.0
November	590.6	656.2	8.69	8.93	126.0	126.0	79.4	79.4
December	590.5	652.7	8.43	10.66	126.6	126.7	79.6	79.6
January 1987	593.7	659.0	8.46	8.27	126.9	126.5	79.7	79.4
February	597.5	660.2	8.59	8.40	127.1	127.1	79.9	79.7
March	597.9	662.8*	8.73	9.87	127.4	126.7	79.9	79.2
April	599.4	665.2	8.56	8.93*	127.6	126.7*	79.9	79.0*
May	602.2	669.0	8.82	8.95	127.8	126.9	79.9	79.0
June	604.8	672.1	8.87	9.13	128.1	127.2	80.0	79.1
July	607.3	673.8	8.83	8.76	128.1	127.3	79.8	78.9
August	609.5	675.0	8.76	8.92	128.2	127.5	79.7	78.9
September	611.4	675.2	9.36	9.15	128.7	127.7	79.9	78.9
October	614.2	679.8	8.92	8.84	129.2	128.0	80.2	79.0
November	618.3	681.3	8.95	8.93	129.6	128.2	80.3	79.0
December	621.0	684.0	9.00	9.00	129.8	128.4	80.3	79.0
January 1988	624.6	686.8	9.12	9.05	130.0	128.3	80.3	78.9
February	626.9	689.2	9.16	9.02	130.0	128.6	80.1	79.0
March	628.6	693.0	9.21	9.07	130.1	128.6	80.0	78.8

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	329.8	330.0	290.3	290.1	309.3	309.3	115.0	115.0
November	330.7	330.8	290.9	290.2	309.6	309.6	115.3	115.2
December	331.5	331.4	290.9	289.9	309.3	309.3	115.6	115.4
January 1987	333.0	333.6	291.8	291.7	312.3	313.6	116.1	116.0
February	334.7	335.0	294.0	291.9	314.7	315.7	116.6	116.2
March	335.5	336.3	295.1	293.1	316.5	315.8	117.1	116.5
April	336.2	337.3*	295.6	294.7*	314.7	315.8*	117.4	116.9*
May	337.0	338.9	296.2	295.3	312.8	316.9	117.6	117.4
June	338.7	340.1	296.8	296.1	312.4	317.5	117.6	117.8
July	339.5	341.2	297.5	296.8	313.0	318.2	118.0	118.2
August	340.1	342.4	298.2	297.6	314.3	319.0	118.5	118.7
September	340.7	343.7	298.9	298.4	312.9	316.3	118.9	119.2
October	341.9	344.9	300.0	298.8	315.7	320.4	119.1	119.6
November	343.4	346.4	301.0	299.6	316.1	321.1	119.3	120.1
December	345.0	347.6	302.1	300.4	316.5	321.8	119.6	120.5
January 1988	346.0	349.1	303.1	301.4	318.3	323.0	120.1	121.0
February	347.0	350.5	304.2	302.3	320.2	324.6	120.7	121.4
March	348.1	352.1	305.4	303.5	322.0	326.3	121.3	121.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	115.1	115.1	105.4	105.6	107.1	107.1	124.0	124.0	112.3	111.4
November	115.4	115.3	105.7	105.3	107.3	107.3	124.3	124.2	112.4	110.9
December	115.5	115.6	106 5	106.9	107.5	107.9	124.5	124.1	112.5	110.8
January 1987	116.1	116.5	106.0	106.0	108.3	109.2	125.0	124.8	112.7	110.6
February	116.7	116.8	106.2	106.4	109.1	109.8	125.5	125.2	113.0	110.9
March	117.3	117.2*	106.5	106.2*	109.6	110.3*	126.1	125.7*	113.2	111.1*
April	117.5	117.7	106.7	106.4	109.8	110.8	126.6	126.1	113.4	111.2
May	117.8	118.2	106.9	107.1	109.8	111.1	126.9	126.6	113.5	111.4
June	118.1	118.6	107.2	107.3	109.9	111.5	127.3	127.1	113.5	111.7
July	118.4	118.9	107.4	107.5	110.1	111.9	127.9	127.5	113.7	111.8
August	118.8	119.3	107.6	107.7	110.4	112.4	128.4	127.9	114.0	112.0
September	119.2	119.8	107.8	108.3	110.7	112.8	128.8	128.4	114.3	112.1
October	119.6	120.2	108.0	108.3	111.1	113.1	129.3	129.0	114.4	112.4
November	120.1	120.7	108.3	108.5	111.6	113.5	129.9	129.5	114.7	112.6
December	120.7	121.1	108.6	108.8	112.0	113.9	130.5	130.1	114.9	112.7
January 1988	121.1	121.5	108.8	109.0	112.4	114.3	131.1	130.5	115.1	112.9
February	121.5	121.9	109.0	109.2	112.7	114.7	131.6	131.0	115.3	113.0
March	122.0	122.4	109.3	109.5	113.1	115.1	132.1	131.5	115.6	113.2

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